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REVIEWS AND NEW BOOKS

General Works, Theory and Its History

Economic Principles. By FRANK A. FETTER. (New York: The Century Company. 1915. Pp. x, 523. \$1.75.)

Only a part of the field usually covered in a text on economics is included in this first volume, certain practical applications of the principles set forth, such as money, banking, international trade, labor organization, the trust problem, taxation, insurance, etc., being reserved for the second volume, which has not yet appeared.

An examination of the very brief table of contents and the "foreword to economists and teachers" shows that old methods of treatment and a considerable part of the long used and generally accepted vocabulary of the business world and of economic science have been changed or discarded by the author, who has little regard for the old masters and even less for the "novel soporific locutions of the marginal utility school." One might be willing to be led out of old error into new truth by persuasive reasoning and gentle admonition, but to be told that the older treatment was in large part vitiated by "historical relativity" and "logical fallacy," marred by the "cruder physical classification of economic factors into land, capital, and labor," and "tainted" as to "the terms and conceptions of value" by "the old utilitarianism and hedonism," does not predispose one to accept gratefully "this newer thought" and these "newer ideas" even though they are "put in more positive, systematic, and teachable form." Space is lacking for a complete consideration of the ruthless havoc wrought by the iconoclastic bludgeon of the author among the idols of the old school, and among the newer "esoteric economic" doctrines and "the laudable though vain" attempts of "many virile teachers . . . to teach the fundamentals to beginners by a method misnamed inductive."

In the short and vigorous foreword which outlines his plan of treatment, the author points out that his first purpose is "to make the statement of principles fit the practical needs of our society as it is now, in America, and as it is developing, rather than as it was in England in 1815." He divides his book into six parts: I, Elements of Value and Price; II, Usance and Rent; III, Valuable Human Services and Wages; IV, Time-Value and Interest; V, Enterprise and Profit; VI, Dynamic Changes in Economic Society.

These titles are not perfectly descriptive. In fact, they are a little misleading; although, as they seem to indicate, the principal emphasis of the book is upon distribution. One might expect to find part I devoted entirely to exchange and value, yet it contains chapter 1 on "Purposes and nature of economics," and several other chapters largely taken up with the definition and defense of the unique vocabulary which the author proposes for the adoption of economists. Part II does not, as the title would lead one to think, concern distribution, but continues the consideration of new terms and includes much that the older writers treated under the captions, Consumption and Production. In fact, rent, here, does not mean a share in distribution, but rather a "contractual payment" for "the temporary possession and use of a more or less durative agent," or, in other words, what has commonly been called Commercial Rent. These two parts, which occupy 168 pages, are rather hard reading even for one who has a fair acquaintance with the subject; and they must be particularly difficult to teach to students who have not acquired a knowledge of distribution and the relation, to the productive and distributive processes, of many of the concepts here elaborately discussed and precisely defined.

It is apparent that the author has undertaken two tasks: to explain and justify a new nomenclature, and to apply this vocabulary in an exposition of economic theory. In neither of these has he been entirely successful. Incidentally he has tried, as have many other recent writers, to break away from the old fourfold division of the science, which, even though it was somewhat artificial, had considerable merit as a pedagogic device. He has made also an imperfect and on the whole unsatisfactory attempt at a separate treatment of the dynamics of economic society.

One would like to speak of the many excellent features of this work—its faultless diction, its illuminating illustrations, its satisfactory typography, and its graphic devices, some of which are unique and especially helpful; but these are overshadowed by the question as to whether the book itself will prove to be a cradle or a coffin. This depends upon whether the nomenclature is accepted or rejected by economists. If generally accepted and used, it will mean that the business world and economists will no longer speak the same language and that succeeding generations of students of economics will have to read the previous literature of the subject in translation. If the author's terminology is not accepted, the

book ought to be rewritten and considerable portions of it discarded before it is accepted anywhere as a textbook.

This may seem to be an extreme statement in view of the comparatively small number of new words and phrases introduced. Yet the new terms are so fundamental that they have unusual significance; moreover, many familiar terms have been given new meanings, which will lead to even greater confusion; while some familiar forms of expression have been discarded and no substitutes provided, because the author believes that the things or ideas which they connote are non-existent, obsolete, or erroneous.

Take, for example, the word "choice." A whole chapter is used to define choice and to show how it is related to value. How is "choice" any better than Demand? From a psychological standpoint, choosing is a volitional decision between alternatives, which may or may not have economic significance. A discussion of choice leads into the realm of metaphysics and may be important in arguments on the freedom of the will, but for economics the important thing is what men do under certain circumstances and not whether their action is the result of a mechanical determinism or a rational choice. It is worthy of note that when it comes to a practical problem the author has to fall back on the old term Demand and the familiar diagrams showing supply and demand curves. "Psychic income" is another new phrase of doubtful worth. In one sense there is nothing new in the idea that the satisfaction derived from economic goods is in the last analysis psychic; but, on the other hand, a large amount of the psychic income of humanity has little if any economic significance unless it be of a negative character. Prue and I doubtless enjoyed their castles in Spain more than the multimillionaire does his Newport villa, and yet their psychic income therefrom did not "motivate" their economic activity but rather tended to inhibit it. So also the contemplation of the true, the beautiful, and the good may give the highest pleasure without stirring to action.

Why change the generally accepted meaning of Utility from the capacity of a good to satisfy human wants to the "fitness (a quality) of things to conduce to real welfare"? Originally, utility and usefulness may have been synonymous terms; but in the course of time utility has come to have a technical meaning in economics, and to change it now can serve no useful purpose but must lead to confusion. "Marginal valuation" strikes one as being no better than the Determination of Value by Marginal Util-

ity, which has been discarded by the author because of his change in the meaning of utility. It is hard to see what advantage there can be in speaking of the "price-good" and "sale-good" in simple barter. "Proportionality" is another new word. It covers a considerable range of ideas, but is really intended as a substitute for Diminishing Returns. There is no good reason why it should not apply to increasing returns as well. These older terms are sufficiently difficult to define precisely. Why substitute a vaguer term which may have a much wider variety of meanings? "Time-preference" is a good and useful term, but it evidently means the same as "time-choice." If "choice" is used in one part of the book why not use it in every part? Discounting the future means something to the business man, while time-choice, or time-preference arouses no special apperceptions in his mind.

The author's habit of seeking etymological justification for the particular meaning which he desires to give to a word or phrase often leads him astray. This is true in the case of Capital. The Latin origin of the word does not determine its recent technical meaning, but rather leads to the perpetuation of errors which economists have long sought to eradicate. Fetter's concept of capital is a strange mixture of credit, property rights, claims upon future earning power, etc. He even speaks of "nominal capital" (stocks and bonds) as though it were true capital if backed by real investment. Abstinence is defined as "the name of" a "faculty of the mind," and Interest as "the price paid by a borrower for the right to buy goods at discounted prices." Such definitions afford little if any aid in the solution of the problems with which the business man and the economist are concerned.

The criticism and dissent contained in this review are expressed by the writer with the keenest regret, because he feels that the book contains many real merits and much that would be of value to the general reader as well as the student. Moreover, he finds himself so completely in accord with Professor Fetter in his interpretation of recent political events and in his genuinely sympathetic attitude toward all rational attempts at social improvement that he can not refrain from expressing the hope that these splendid contributions to economic thought shall not be obscured or lost to the world by the rejection of the medium through which the author chooses to express them.

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